

15 MAY 1963

MEMORANDUM FOR: Chief, Audit Staff

THRU : Deputy Comptroller

SUBJECT : Report of Audit of Accounts Branch as of
30 November 1962

1. This memorandum is in response to those audit report recommendations for which the Accounts Branch has primary responsibility or is the action agent. Recommendations relating to procedures and those requiring coordination with the Office of Logistics will be answered by separate memorandum.

2. The following comments are keyed to the corresponding paragraphs of the Audit Report.

a. Paragraph 4

- (1) A Finance Division Operating Procedure assigning maintenance responsibilities for all general ledger accounts is in process of coordination and will be issued on or before 1 June 1963.

b. Paragraph 8

- (1) This paragraph is a general statement concerning Type I FPA accounts and comments on the need for consistent and effective analysis and follow-up to clear accounts of old and erroneous amounts and the review of posting documents to assure completeness and accuracy in coding.
- (2) All vouchers processed by the Finance Division are subject to review. We have stressed the need for accuracy in the preparation and care in the review of vouchers. Errors detected are discussed with the reviewer as well as the person preparing the voucher. We are not aware of any specific areas where a significant number of errors are occurring.
- (3) Specific comments concerning analysis and follow-up procedures are contained in the following paragraphs.

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c. Paragraph 9. Account 195.9 - "Accountability to Headquarters-Property Purchased for Cash by Type I Installations Under FPA"

- (1) The report refers to 71 open balances over 12 months old. Sixty-seven of these balances have been cleared and information concerning the remaining four has been furnished the stations involved for further investigation and clearance action.
- (2) Current procedures require a monthly reconciliation of financial and property accounts by the field stations which should correct this condition.

d. Paragraphs 10 and 11. Account 175.0 - "Material In Transit From Type I Installations to Headquarters"

- (1) Under current procedures a monthly memorandum is sent to the Supply Division on all open items which have not cleared within three months from the recording date. In addition we are sending the Supply Division a copy of the shipping documents received from Type I installations on a current basis. Many of the unmatched items in this account are caused by the recording of incorrect voucher numbers and station codes as well as property received from Type II installations.
- (2) The Supply Division has cleared many old items reported in our memoranda and after the April 30, 1963 trial balance of this account has been reviewed any remaining items that have not cleared will again be brought to their attention. A target date of 30 June 1963 has been established for having all balances on a current basis.

e. Paragraph 12. Account 175.8 - "Material In Transit Between Type I Installations"

- (1) As of 31 March 1963 there were 121 open items with a net debit balance of \$201,289.00 compared to 280 open items with a net debit balance of \$249,258.00 as of 31 October 1962. The 31 March 1963 balance includes one shipment [redacted] recorded in March 1963 in the amount of \$130,972.32. The stations have been instructed to clear all calendar year 1961 shipments recorded in their in-transit account in calendar year 1962 into their Headquarters accountability account by no later than 31 May 1963. Their entries will be reviewed by Headquarters and appropriate adjustments made in the Headquarters accounts.

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- (2) The stations have been informed of all items recorded since 1 January 1962 which have been outstanding for more than 90 days and requested to initiate appropriate follow-up. Under current procedures stations are informed of transactions over 90 days old on a monthly basis. In addition the stations have been instructed to contact shipping installations on credit balances appearing in their in-transit account which are not cleared promptly.

f. Paragraphs 13 and 14. Account 175.9 - "Material earmarked for shipment"

- (1) Instructions have been issued to the stations to clear their in-transit account of all calendar year 1961 Headquarters shipments recorded in calendar year 1962 by no later than 31 May 1963. The Headquarters accounts will be cleared concurrent with the processing of the May 1963 FFA reports. It is expected that balances relating to transactions recorded prior to calendar year 1962 will be cleared by 31 July 1963.
- (2) Under current procedures monthly listings of items over 90 days old are sent to the Supply Division for review and appropriate action. The review of listings for the months of January through June and August 1962 has been completed by the Supply Division and annotated copies indicating action taken or to be taken have been returned to the Finance Division. Listings covering the months of July and September through December 1962 are outstanding. It is understood that the Office of Logistics has created a special task force to review the listings and is hopeful of placing this operation on a current basis.

g. Paragraphs 15 and 16. Type II Property Activity

- (1) Annual Dollar Value Reports from all but four installations have been reconciled with the Headquarters accountability account as of 28 February 1962. [redacted] 25X1 failed to send in their Property Control Register. This has been requested but not received. Further follow-up is in process. The records and property [redacted] 25X1 [redacted] were so confused and mingled 25X1 that new inventories were required. Current reports have been received [redacted] and are in 25X1 process. A follow-up is being sent [redacted] concerning their revised report.

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- (2) The audit report refers to one adjustment (increase in accountability) of over \$850,000 made without investigation. Adjustments involving large amounts are being investigated but it was believed desirable to immediately adjust Headquarters accountability accounts to agree with the records of the reporting installations for amounts and transactions not readily identifiable. The particular increase referred to was recorded by [] without adequate description. Subsequent investigation revealed that the entry represented the pick-up of accountability

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- (3) The annual property reports for the period ending 28 February 1963 are currently being processed and all differences are being investigated. To date [] reports have been received and [] have been processed. Dispatches and memoranda are being sent to the stations and the Office of Logistics, as appropriate, on a current basis regarding discrepancies in the reports.

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- h. Paragraphs 17 and 18. Accounts 303.2 and 303.3 - "Accounts Payable Property Procured at Headquarters - - -"

These paragraphs relate to procedural matters and require coordination with the Office of Logistics. Reply will be made by separate memorandum.

- i. Paragraph 19. Account 152.5 - "Accounts Receivable - Property"

This paragraph relates to procedural matters and requires coordination with the Office of Logistics. Reply will be made by separate memorandum.

3. Although Finance Division can initiate action to clear unmatched items and residual balances, the pipeline of communications is necessarily long and final clearance is dependent upon action and/or replies from the Office of Logistics and the field stations. Memoranda to the Office of Logistics from Finance Division sometimes generate dispatches to the field to clear transactions. The field stations cannot always give priority to these requests for investigation over their current work. This is not intended to condone or excuse delay in clearing balances in accounts but to place in proper perspective the time factor which must be considered in maintaining property accounts in a current condition.

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Dist: Orig. & 1 - Addressee
1 - C/Finance Div.
1 - Audit File
1 - Accts/Chrono
1 - T.A.S.

Chief, Finance Division

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